

**REMARKS**

In the Office Action, the pending claims were rejected under 35 U.S.C. § 103(a) as being obvious in view of various combinations of references. In order to expedite allowance, and without waiver of applicants' right to seek claims of a broader scope, the independent claims (i.e., claims 1 and 30) have been amended to clarify that the maturity date of the inflation-linked securities issued by the trust matches the maturity date of the fixed income securities issued by the private issuer. The independent claims also clarify that either the principal amount or the interest rate, or both, of the inflation-linked securities are related to an inflation index. Support for the claim amendments may be found throughout the application as filed.

Claim 1 was rejected as being obvious over the combination of (i) published U.S. patent application Pub. No. 2006/0041453 to Clark et al. ("Clark"), (ii) published U.S. patent application Pub. No. 2005/0075976 to Woodruff et al. ("Woodruff"), (iii) an article entitled "Managing risk with derivatives," Corporate Finance, 2003 ("Corporate Finance"), and (iv) published U.S. patent application Pub. No. 2002/011891 to Hoffman et al. ("Hoffman"). Claims 2, 30, and 32 were rejected as being obvious over the combination of Clark, Woodruff, Corporate Finance, Hoffman, and U.S. Patent 6,321,212 to Lange ("Lange").

The cited references do not establish a prima facie case of obviousness for claims 1 and 30 for the following reasons:

- **First**, Clark does not teach or suggest a private company (i.e., an insurance company) issuing index linked securities that have a principal amount and an interest rate. Rather, the cited passages of Clark describe life insurance products, such as variable and index-linked life insurance products. Clark discloses that the insurance company invests a portion of the premiums for the life insurance policies in an investment whose return is linked to an equity

market index, and the life insurance product is credited with the greater of the index-linked earnings rate and the annual guarantee for the life insurance policy. *See* Clark at ¶ [0004]. Thus, because Clark is directed to a life insurance product, Clark does not disclose issuing securities that have a principal amount and an interest rate, as set forth in claims 1 and 30.

- **Second**, Clark also does not disclose issuing *inflation-linked* securities, as set forth in claims 1 and 30. Rather, Clark's index-linked life insurance policies are linked to *equity market indices* (*see* Clark at ¶ [0004]), and not to an inflation index. In addition, the other cited references, namely Woodruff, Corporate Finance, and Hoffman, also do not teach or suggest issuing securities whose return is linked to an inflation index. Further, the Office Action has provided no explanation of why it would have been obvious to modify Clark's non-inflation-linked life insurance products in view of Woodruff, Corporate Finance, or Hoffman to arrive at the inflation-linked securities set forth in claims 1 and 30. Rather, the Office Action merely says it would have been obvious to combine the references (*see* Office Action at 4) without mentioning any rationale for why a person of ordinary skill in the art would have been motivated to modify Clark's non-inflation-linked insurance products into inflation-linked securities. This is improper. *See* MPEP § 2142 ("The key to supporting any rejection under 35 U.S.C. 103 is the clear articulation of the reason(s) why the claimed invention would have been obvious.").

- **Third**, while Lange teaches inflation-linked securities, Lange's disclosure is limited to instances where a governmental entity issues inflation-linked securities. *See* Lange at col. 5:29-33 ("... the demand by some investors to hedge inflation risk has resulted in the issuance *by some governments* of inflation-linked bonds...") (emphasis added). Moreover, as pointed out in the present application at ¶ [0003], private companies are reluctant or unwilling to issue inflation-linked bonds because of unattractive accounting treatment for the swap that is

used to hedge their inflation exposure on such bonds. For these reasons, a person having ordinary skill in the art would not have been motivated to modify Clark's non-governmental, index-linked life insurance contracts into privately-issued, inflation-linked securities in view of Lange.

- Fourth, the cited references do not teach that the fixed income securities issued by the private issuer back, or serve as collateral for, the inflation-linked securities issued by the trust. The Office cites Woodruff for teaching a trust purchasing fixed income securities, but Woodruff does not disclose a trust issuing an index-linked security, much less an inflation-linked security, that is backed by the fixed income securities. Nor does the Office Action supply any rationale for why it would have been obvious to combine the disparate teachings of the various references to realize the processes of claims 1 and 30, where the fixed income securities of the private issuer back the inflation-linked securities issued by the trust, when none of the references teach or suggest such an arrangement. Indeed, in Clark, the insurance company invests the premiums from the life insurance policies, but there is no indication or suggestion in Clark that the investments from the premiums back, or serve as collateral for, the life insurance policies. In fact, that is not how the insurance industry works. Insurance companies are usually required by law to maintain sufficient reserves to make payments on policies. Thus, it is not the investments from the premiums that back the policies, but rather the insurance company's reserves. See Clark at ¶ [0053] ("In order to support the increased credit, the insurance company may utilize funds from the risk fund and/or other reserves. The risk fund may be under-funded in the event that death or surrender occurs prior to the expected end of the segment term, unless the estimated cost of the annual guarantee reflects actuarial decrements of surrender and death, as noted above.") (emphasis added).

None of the other references cited in the Office Action, including Heppenstall and “Dutch Authority Enters Cross-Currency I-Rate Swap,” remedy the above-mentioned deficiencies. Therefore, independent claims 1 and 30, as well as their respective dependent claims, are nonobvious.

The Office should note that claim 2 has been canceled, and that new claim 34, which depends from claim 1, has been added. Support for new claim 34 may be found throughout the application as filed.

### **CONCLUSION**

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants’ present response should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to address specifically all such assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants do not concede the correctness of the Office Action’s rejection with respect to any of the dependent claims discussed above. Accordingly, Applicants hereby reserve the right to make additional arguments as may be necessary to distinguish further the dependent claims from the cited references, taken alone or in combination, based on additional features contained in the dependent claims that were not discussed above. A detailed discussion of these differences is believed to be unnecessary at this time in view of the basic differences in the independent claims pointed out above.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining

concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,



Mark G. Knedeisen  
Reg. No. 42,747

Date: October 2, 2008

K&L GATES LLP  
Henry W. Oliver Building  
535 Smithfield Street  
Pittsburgh, Pennsylvania 15222

Ph. (412) 355-6342  
Fax (412) 355-6501  
email: mark.knedeisen@klgates.com